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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Fifty-first Meeting
Montreal, 19-23 March 2007

PROJECT PROPOSAL: SEYCHELLES

This document consists of the comments and recommendation of the Fund Secretariat on the following project proposal:

Phase-out

- Terminal ODS phase-out management plan (first tranche) France

Pre-session documents of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol are without prejudice to any decision that the Executive Committee might take following issue of the document.

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**PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS
SEYCHELLES**

PROJECT TITLE	BILATERAL/IMPLEMENTING AGENCY
Terminal ODS phase-out management plan (first tranche)	France

NATIONAL CO-ORDINATING AGENCY:	National Ozone Unit, Seychelles
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LATEST REPORTED CONSUMPTION DATA FOR ODS ADDRESSED IN PROJECT

A: ARTICLE-7 DATA (ODP TONNES, 2005, AS OF JANUARY 2007)

CFC	0		

B: COUNTRY PROGRAMME SECTORAL DATA (ODP TONNES, 2005, AS OF JANUARY 2007)

ODS	Aerosol	Foam	Ref. Mfg.	Ref. Servicing	Solvents	Process agent	Fumigant
CFC			0	0			

CFC consumption remaining eligible for funding (ODP tonnes)	N/A
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CURRENT YEAR BUSINESS PLAN: Total funding US \$144,000: total phase-out 0.0 ODP tonne.

PROJECT DATA		2006	2007	2008	2009	2010	Total
CFC (ODP tonnes)	Montreal Protocol limit	1.425	0.4275	0.4275	0.4275	0	
	Annual consumption limit	0	0	0	0	0	
	Annual phase-out from ongoing projects						
	Annual phase-out newly addressed						
TOTAL ODS CONSUMPTION TO BE PHASED OUT							
Final project costs (US \$):							
Funding for Lead IA: France			120,000	60,000	13,000		193,000
Total project funding			120,000	60,000	13,000		193,000
Final support costs (US \$):							
Support cost for Lead IA: France			15,600	7,800	1,690		25,090
Total support costs			15,600	7,800	1,690		25,090
TOTAL COST TO MULTILATERAL FUND (US \$)			135,600	67,800	14,690		218,090
Final project cost effectiveness (US \$/kg)							N/A

FUNDING REQUEST: Approval of funding for the first tranche (2007) as indicated above.

SECRETARIAT'S RECOMMENDATION	Blanket approval
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PROJECT DESCRIPTION

1. On behalf of the Government of Seychelles, the Government of France has submitted a terminal phase-out management plan (TPMP) for consideration by the Executive Committee at its 51st Meeting. The total cost of the Seychelles TPMP is US \$193,000 plus agency support costs of US \$25,090. The project proposes the complete phase-out of CFCs by the end of 2009. The CFC baseline for compliance is 2.8 ODP tonnes.

Background

2. The Seychelles RMP was approved at the 26th Meeting of the Executive Committee as a bilateral contribution by the Government of Germany. The RMP was developed as a national/regional project involving 14 South and East African countries. While the RMP was successfully implemented, additional activities were necessary in the refrigeration servicing sector. Therefore, at its 40th Meeting, the Executive Committee approved the RMP update project for Seychelles (UNEP/OzL.Pro/ExCom/40/43) and allocated US \$41,607 plus agency support costs US \$5,409 for Germany for its implementation.

Policy and legislation

3. The Ozone Regulations have been in force since 2000. The regulations include: a permit system for all importers and exporters of ODS and CFC-based equipment; a quota system to control imports of ODS; a ban on imports of CFC-based equipment; and infringement penalties. As of July 2002, imports of CFC-12 and R502 and equipment containing these refrigerants were banned. Under the regulations, it is mandatory to recover CFCs contained in refrigeration systems when they are serviced.

Refrigeration servicing sector

4. According to the data reported by the Government of Seychelles to the Ozone Secretariat, CFC consumption in the country decreased from 1.5 ODP tonnes in 2002 to zero consumption in 2005. Currently, HCFC-22 is the most commonly imported refrigerant in Seychelles. CFC-12 consumption has been replaced mainly by HFC-134a and R-406 refrigerants.

5. The refrigeration servicing sector is still based on CFC refrigerants and consists of some 20,000 domestic refrigerators which are serviced at least once every two to three years, as well as several commercial refrigerators, including ice machines and cold rooms located in hotels, supermarkets and small shops, and about 1,500 MAC units. There are some 50 established refrigeration servicing workshops with 200 technicians in total. The majority of the workshops operate with one technician, and only a few with over 10 technicians. About 120 technicians have received professional training through courses at the Seychelles Institute of Technology and the remaining 80 technicians have learnt the trade through handling refrigeration equipment. This institute, however, needs to be upgraded in terms of training equipment and materials.

6. The current prices of refrigerants per kg are: US \$18.40 for CFC-12, US \$14.00 for HCFC-22, US \$17.65 for HFC-134a, and US \$23.50 for R-502.

Results achieved so far

7. Through the implementation of the RMP and the RMP update for Seychelles the following activities have been completed:

- (a) CFC consumption has been reduced from 1.86 ODP tonnes in 1998 to zero consumption in 2005;
- (b) Several training courses for custom officers have been provided by officers that were locally trained. The customs department was supplied with an ODS identifier. The customs officers have been crucial in confiscating CFC-based refrigeration equipment;
- (c) Training programmes in good refrigeration servicing practices and on retrofitting with hydrocarbon refrigerants have been provided; and
- (d) A recovery and recycling unit was used in the training programmes and for recovery and recycling operations (because of the relatively small consumption of CFCs in the country, a specific recovery and recycling project was not requested).

8. The major problem related to the use of hydrocarbon refrigerants in Seychelles is the shipment of small quantities from producing countries; however, importation of hydrocarbon refrigerants by an importer in Mauritius is currently under discussion, and that importer could then be used to supply the Seychelles.

Activities proposed in the TPMP

9. The Seychelles TPMP includes sub-projects that involve: an additional training programme for officers of the Customs Department, additional training for refrigeration technicians and provision of training equipment to the training centre; the provision of a few recovery and recycling units; development of an incentive programme for conversion of small CFC-based commercial refrigeration systems and CFC-based MAC units still in operation; and monitoring and evaluation. A detailed work plan for 2007 has been submitted with the TPMP proposal.

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

10. The TPMP for Seychelles has been submitted as a bilateral contribution by the Government of France to the Fund. The activities proposed in the TPMP will be implemented by the Government of Germany.

11. In 2005, the Government of Seychelles reported zero consumption of CFCs under Article 7 of the Montreal Protocol. According to the report on the implementation of the country programme submitted to the Fund Secretariat, the Government of Seychelles also reported zero consumption of CFCs in 2006. Through the implementation of the TPMP, the Government of Seychelles is proposing to maintain this zero consumption level.

12. The Secretariat sought an explanation on how the CFC-based equipment still in operation in Seychelles is serviced, noting that current CFC consumption in the country is nil. As explained by the Government of France, CFCs have been supplied from stockpiles and from recovery operations. Also, the servicing sector has been encouraging owners of CFC-based systems to convert them to alternative refrigerants. For example, over the last few years, CFC-based refrigeration systems have been converted to R406a or HFC-134a refrigerants; complete replacement has been done where the systems were found to be too old to be retrofitted.

13. The Secretariat also pointed out that the TPMP proposal does not include the establishment of a monitoring and evaluation unit. The Government of France indicated that the Government of Seychelles is using a comprehensive monitoring plan available within the Ministry of Environment and Natural Resources. Based on discussions with major stakeholders, it was decided to utilize the majority of the resources available within the TPMP for specific activities in the refrigeration servicing sector and to implement all the monitoring activities through the Ozone Unit and the bilateral agency. It was also agreed that a part-time expert could be hired to assist in the monitoring of implementation of the proposed activities.

14. The Secretariat and the Government of France also discussed the level of funding being requested for the implementation of the TPMP considering that no CFCs have been consumed since 2005. The Government of France explained that, as a free port for ships, Seychelles has a major task controlling illegal imports into the country. Several consignments of CFCs and CFC-based equipment have been confiscated in the past few years; these types of incidents have been increasing. Additionally a concerted effort is required to completely phase out the CFCs that are still in refrigeration systems in operation. The Government of France also noted that, so far, the Government of Seychelles has received only US \$60,000 for all its phase-out activities thus far and is only requesting US \$193,000 of the total US \$205,000 available under decision 45/54.

Agreement

15. The Government of Seychelles submitted a draft agreement between the Government and the Executive Committee with the conditions for the complete phase-out of CFCs in Seychelles, which is contained in the annex to the present document.

RECOMMENDATION

16. The Secretariat recommends blanket approval of the TPMP for Seychelles. The Executive Committee may wish to:

- (a) Approve, in principle, the terminal phase-out management plan for Seychelles, at the amount of US \$193,000 plus agency support costs of US \$25,090 for the Government of France;
- (b) Approve the draft agreement between the Government of Seychelles and the Executive Committee for the implementation of the terminal phase-out management plan as contained in Annex I to the present document;

- (c) Urge the Government of France to take full account of the requirements of decisions 41/100 and 49/6 during the implementation of the terminal phase-out management plan; and
- (d) Approve the first tranche of the plan at the funding levels shown in the table below:

	Project Title	Project Funding (US\$)	Support Cost (US\$)	Implementing Agency
(a)	Terminal phase-out management plan (first tranche)	120,000	15,600	France

Annex I

DRAFT AGREEMENT BETWEEN SEYCHELLES AND THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND FOR THE TERMINAL PHASE-OUT MANAGEMENT PLAN

1. This Agreement represents the understanding of the Government of Seychelles (the “Country”) and the Executive Committee with respect to the complete phase-out of controlled use of the ozone-depleting substances in the sectors set out in Appendix 1-A (the “Substances”) prior to 1 January 2010 compliance with Protocol.
2. The Country agrees to meet the annual consumption limits of the Substances in Annex A (Group I) of the Montreal Protocol as set out in row 1 of Appendix 2-A (the “Targets, and Funding”) in this Agreement. The Country accepts that, by its acceptance of this Agreement and performance by the Executive Committee of its funding obligations described in paragraph 3, it is precluded from applying for or receiving further funding from the Multilateral Fund in respect to the Substances as described in the TPMP document.
3. Subject to compliance by the Country with its obligations set out in this Agreement, the Executive Committee agrees in principle to provide the funding set out in row 2 of Appendix 2-A (the “Funding”) to the Country. The Executive Committee will, in principle, provide this funding at the Executive Committee meetings specified in Appendix 3-A (the “Funding Approval Schedule”).
4. The Country will meet the consumption limits for each of the Substances as indicated in Appendix 2-A. It will also accept independent verification by the relevant implementing agency of achievement of these consumption limits as described in paragraph 9 of this Agreement.
5. The Executive Committee will not provide the Funding in accordance with the Funding Approval Schedule unless the Country satisfies the following conditions at least 30 days prior to the applicable Executive Committee meeting set out in the Funding Approval Schedule:
 - (a) That the Country has met the Targets for the applicable year;
 - (b) That the meeting of these Targets will be independently verified, if requested by the Executive Committee consistent with paragraph (d) of decision 45/54;
 - (c) That the Country has substantially completed all actions set out in the last annual implementation programme; and
 - (d) That the Country has submitted and received endorsement from the Executive Committee for an annual implementation programme in the form of Appendix 4-A (the “Annual Implementation Programme”) in respect of the year for which funding is being requested.
6. The Country will ensure that it conducts accurate monitoring of its activities under this Agreement. The institutions set out in Appendix 5-A (the “Monitoring”) will monitor and report on that monitoring in accordance with the roles and responsibilities set out in Appendix 5-A. This monitoring will also be subject to independent verification as described in paragraph 9.

7. While the Funding was determined on the basis of estimates of the needs of the Country to carry out its obligations under this Agreement, the Executive Committee agrees that the Country may have the flexibility to reallocate the approved funds, or part of the funds, according to the evolving circumstances to achieve the goals prescribed under this agreement. Reallocations categorized as major changes must be documented in advance in the next annual implementation programme and endorsed by the Executive Committee as described in sub-paragraph 5(d). Reallocations not categorized as major changes may be incorporated in the approved annual implementation programme, under implementation at the time, and reported to the Executive Committee in the report on the implementation of the annual programme.

8. Specific attention will be paid to the execution of the activities in the servicing sector, in particular:

- (a) The Country would use the flexibility available under this Agreement to address specific needs that might arise during project implementation;
- (b) The technical assistance programme will be implemented in stages so that remaining resources can be diverted to other activities such as additional training or procurement of service tools in cases where the proposed results are not achieved, and will be closely monitored in accordance with Appendix 5-A of this Agreement; and
- (c) The Country and the implementing agencies will take full account of the requirements of decisions 41/100 and 49/6 during the implementation of the terminal phase-out management plan.

9. The Country agrees to assume overall responsibility for the management and implementation of this Agreement and of all activities undertaken by it or on its behalf to fulfill the obligations under this Agreement. France has agreed to be the lead implementing agency (the "Lead IA") in respect of the Country's activities under this Agreement. The Lead IA will be responsible for carrying out the activities listed in Appendix 6-A including but not limited to verification. The Country also agrees to periodic evaluations, which will be carried out under the monitoring and evaluation work programmes of the Multilateral Fund. The Executive Committee agrees, in principle, to provide the Lead IA with the fees set out in row 3 of Appendix 2-A.

10. Should the Country, for any reason, not meet the Targets for the elimination of the Substances in Appendix 1-A or otherwise does not comply with this Agreement, then the Country agrees that it will not be entitled to the Funding in accordance with the Funding Approval Schedule. At the discretion of the Executive Committee, funding will be reinstated according to a revised funding approval schedule determined by the Executive Committee after the Country has demonstrated that it has satisfied all of its obligations that were due to be met prior to receipt of the next instalment of funding under the Funding Approval Schedule. The Country acknowledges that the Executive Committee may reduce the amount of the Funding by the amounts set out in Appendix 7-A in respect of each ODP tonne of reductions in consumption not achieved in any one year.

11. The funding components of this Agreement will not be modified on the basis of any future Executive Committee decision that may affect the funding of any other consumption sector projects or any other related activities in the Country.

12. The Country will comply with any reasonable request of the Executive Committee and the Lead IA to facilitate implementation of this Agreement. In particular, it will provide the Lead IA with access to information necessary to verify compliance with this Agreement.

13. All of the agreements set out in this Agreement are undertaken solely within the context of the Montreal Protocol and as specified in this Agreement. All terms used in this Agreement have the meaning ascribed to them in the Protocol unless otherwise defined herein.

APPENDICES

APPENDIX 1-A: THE SUBSTANCES

Annex A:	Group I	CFC-11, CFC-12, CFC-113 CFC-114 and CFC-115
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APPENDIX 2-A: THE TARGETS, AND FUNDING

	2006	2007	2008	2009	2010	Total
1. Max. allowable total consumption of Annex A Group I substances (ODP tonnes)	1.425	0.4275	0.4275	0.4275	0	
2. Lead IA agreed funding (US \$)		120,000	60,000	13,000		193,000
3. Lead IA support costs (US \$)		15,600	7,800	1,690		25,090
4. Total agreed costs (US \$)		135,600	67,800	14,690		218,090

APPENDIX 3-A: FUNDING APPROVAL SCHEDULE

1. Funding will be considered for approval at the first meeting of the year of the Annual Implementation Programme.

APPENDIX 4-A: FORMAT OF ANNUAL IMPLEMENTATION PROGRAMME

1. **Data**

Country	
Year of plan	
# of years completed	
# of years remaining under the plan	
Target ODS consumption of the preceding year	
Target ODS consumption of the year of plan	
Level of funding requested	
Lead implementing agency	
Cooperating agency(ies)	

2. **Targets**

Indicators		Preceding year	Year of plan	Reduction
Supply of ODS	Import			
	Total (1)			
Demand of ODS	Manufacturing			
	Servicing			
	Stockpiling			
	Total (2)			

3. Industry Action

Sector	Consumption preceding year (1)	Consumption year of plan (2)	Reduction within year of plan (1) – (2)	Number of projects completed	Number of servicing related activities	ODS phase-out (in ODP tonnes)
Manufacturing						
Total						
Refrigeration						
Total						
Grand total						

4. Technical Assistance

Proposed Activity:

Objective:

Target Group:

Impact:

5. Government Action

Policy/Activity planned	Schedule of implementation
Type of policy control on ODS import: servicing, etc.	
Public awareness	
Others	

6. Annual Budget

Activity	Planned expenditures (US \$)
Total	

7. Administrative Fees

APPENDIX 5-A: MONITORING INSTITUTIONS AND ROLES

1. Discussions with the National Ozone Unit (NOU) and Lead IA will determine the need for a monitoring unit or whether the tasks could be done through the joint efforts of both the agencies.

Institution involved	Role	Responsibility type and frequency of reporting	Evaluation
Ozone Office	Overall monitoring	Meetings with Lead IA Meeting reports, MoU	By Lead IA
Lead IA	Lead IA	Expenditure Report Quarterly Report	By Lead IA
Lead IA	Lead IA	Progress report (annual) Quarterly Report	By Ozone Officer

Verification and reporting

2. In accordance to decision 45/54 (d), the Executive Committee reserves the right for independent verification in case the Executive Committee selects Seychelles for related auditing. Based on discussion with the Lead IA, Seychelles should select the independent organization (auditing) to carry out the verification of the TPMP results and this independent monitoring programme. The monitoring reports will be produced and verified each year, previous to the third meeting of the Executive Committee. These reports will produce the input for the yearly implementation reports required by the Executive Committee.

APPENDIX 6-A: ROLE OF THE LEAD IMPLEMENTING AGENCY

1. The Lead IA will be responsible for a range of activities to be specified in the project document as follows:

- (a) Ensuring performance and financial verification in accordance with this Agreement and with its specific internal procedures and requirements as set out in the Country's phase-out plan;
- (b) Assisting the Country in preparation of the Annual Implementation Programme;
- (c) Providing verification to the Executive Committee that the Targets have been met and associated annual activities have been completed as indicated in the Annual Implementation Programme consistent with Appendix-5A. In case the Executive Committee selects Seychelles consistent with paragraph (d) of decision 45/54, separate funding will be provided by the Executive Committee to the Lead IA for this undertaking;
- (d) Ensuring that the achievements in previous annual implementation programmes are reflected in the future Annual Implementation Programme;
- (e) Reporting on the implementation of the Annual Implementation Programme of the preceding year and preparing for annual implementation programme for the year of submission for submission to the Executive Committee, commencing with the 2008 annual implementation programme combined with the report on the 2007 annual implementation programme;
- (f) Ensuring that appropriate independent technical experts carry out the technical reviews undertaken by the Lead IA;
- (g) Carrying out required supervision missions;
- (h) Ensuring the presence of an operating mechanism to allow effective, transparent implementation of the Annual Implementation Programme and accurate data reporting;
- (i) Providing verification for the Executive Committee that consumption of the Substances has been eliminated in accordance with the Targets, if requested by the Executive Committee;

- (j) Ensuring that disbursements made to the Country are based on the use of the indicators; and
- (k) Providing assistance with policy, management and technical support when required.

APPENDIX 6-B: ROLE OF COOPERATING IMPLEMENTING AGENCIES

Not relevant.

APPENDIX 7-A: REDUCTIONS IN FUNDING FOR FAILURE TO COMPLY

1. In accordance with paragraph 10 of the Agreement, the amount of funding provided may be reduced by US \$10,000 per ODP tonne of reductions in consumption not achieved in the year.